Turkish current account deficit surpasses projections in April

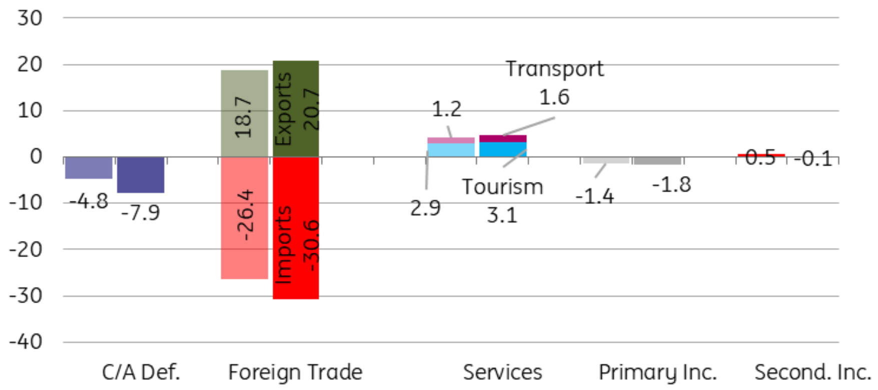
Turkey's current account deficit in April surpassed consensus expectations, while the capital account saw substantial outflows following heightened volatility in March

The current account posted a deficit of US$7.9bn in April, surpassing both the market forecast of $7.5bn and our estimate of $7.0bn. A closer look at the monthly figures shows that this deficit rose significantly compared to the same month last year, primarily due to a widening trade gap, which increased from $7.7bn to $9.9bn.

This expansion was mostly driven by worsening balances in both net gold trade and core trade items. Additionally, the shift of secondary income into negative territory and lower primary income further exacerbated the deficit – despite continued growth in services income, which remained supported by revenues from transportation and tourism.

As a result, the 12-month rolling current account deficit, which began rising in November of the previous year, has more than doubled and now stands at $15.8bn, or around 1.3% of GDP.

Breakdown of the current account (monthly, US$bn)



Source: CBT, ING

On the capital account side, the outflows that began in March in connection with political developments intensified in April, reaching a record $17.4bn. With a modest net inflow from errors and omissions of $0.2bn, and considering the current account deficit, official reserves contracted by a record $25bn.

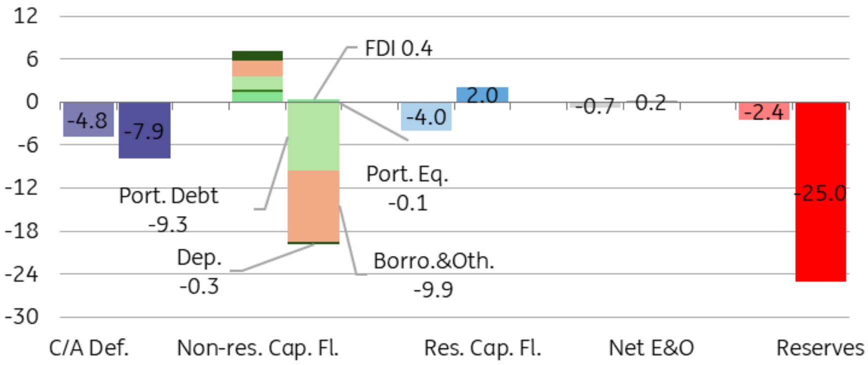
Further analysis reveals that resident activities generated an inflow of $2.0bn, mainly due to reductions in deposits held by domestic banks abroad and repayments on loans previously extended to foreign entities. In contrast, non-resident activity led to outflows totalling $19.4bn, primarily from debt-related channels. Key components of non-resident outflows include:

- A $6.4bn sell-off in the government bond market.
- A $2.1bn debt repayment by the Treasury.
- $10.8bn in debt repayments by the banking sector, mostly short-term, although banks were net borrowers in long-term debt by US$1.3 bn. Consequently, long-term debt rollover ratios reached 181% for corporations and 236% for banks, compared to 142% and 171%, respectively, on a 12-month rolling basis.

During the first four months of 2025, resident outflows decreased sharply, falling from $16.7bn in 2024 to $10.7bn. However, foreign inflows dropped significantly too, coming in at just $1.0bn, compared to $14.6bn during the same period in 2024. As a result, the capital account recorded a deficit of $9.7bn, compared to $2.1bn outflows in the previous year.

In addition, net errors and omissions remained elevated, totalling $6.6bn vs $8.4bn in 2024. Taken together with the widening current account deficit, which grew from $-14.6bn to $-20.3bn, official reserves were depleted by $36.6bn – a deeper decline than the $25.1bn drop recorded a year earlier.

Breakdown of financing (monthly, US$bn)



Source: CBT, ING

In summary, the current account deficit in April exceeded expectations, while the capital account once again played a crucial role due to significant outflows. However, preliminary customs data from the Ministry of Trade do not suggest a major deterioration in the May current account, as the foreign trade deficit appears to have remained largely in line with the previous year.

Looking ahead, a combination of rising external risks – including developments in global trade and geopolitical tensions – as well as the impact of recent domestic political changes and resulting tighter financial conditions, is expected to shape the path of the current account balance in the coming months.

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